

**MICRO-FINANCE INSTITUTIONS AND POVERTY ERADICATION IN
UGANDA: A CASE STUDY OF LEFORI SUB- COUNTY,
MOYO DISTRICT**

BY
NUL JACOB MAYENDIT
BAE /7339/51/DF



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DECLARATION

I, Nul Jacob Mayendit declare that this Research Report is my own work and it has not been submitted to any other university or Institution.




NUL JACOB MAYENDIT

DATE: 29/07/2008

APPROVAL

This proposal has been under my supervision as a university supervisor.

SIGNATURE



MR. KULE JULIUS WARREN

DATE: 29/7/2008

DEDICATION

This work is affectionately dedicated to my beloved wife Aluel-kom Ateng for the comforts she gave me and compilation of the reports she did during my research

AKNOWLEDGEMENT

My gratitude first goes to God who gave me the strength and courage to undertake this research.

I also owe a lot of appreciation to all those assisted me in carrying out this research. I am grateful to my supervisor Mr. Kule Julius who tirelessly went through my work and inspired me to dig deeper into the core of the matter. His kind criticism, patience and understanding, assisted me a great deal.

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I wish to thank my family especially my mother Miss Rebecca Adong-dit for their love, financial support and inspiration during my stay in Kampala International University (K.I.U).

Finally, I would like to thank all my respondents and those within a short notice without which this work would not have been possible.

GOD BLESS YOU ALL

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Poverty remains a matter of growing concern in many developing countries of the world. Today, as other continents continue to register sustainable economic growth and development, Africa is not only lagging behind but is trapped in a vicious circle of borrowing and donor dependency syndrome which some critics point out as one of the causes practically sabotaging real development. Africa has perpetually failed to focus its development efforts on the optimum utilisation of the immense natural resources that many countries are endowed with to turn it into wealth to propel their economies and people towards a high level of economic and social development and as a consequence eliminate pervasive poverty.

Although Africa is not the poorest continent, it is the only region where poverty is constantly on the increase. As a result, millions of people live each day in abject poverty. Children go without food, their bodies stunted by malnutrition which is wide spread. The commission for Africa finds the conditions of the lives of the majority of Africans to be deplorable and an insult to their dignity¹. Therefore, there is need to change these conditions in order to make poverty history in Africa. Lufumpa (1999) points out that in the mid 1990s close to 50 percent of Africa's population of 700 million lived in absolute poverty and the majority of the poor live in rural areas. In both urban and rural areas, women as a group comprise of a high disproportion number of people in absolute poverty.

One of the biggest problems of Uganda like many other countries in Africa is poverty. The country ranks 158 out of 174 poorest countries in

the world (UNDP 1999). Using international poverty measures, 82.2 percent of the population lives below US\$1 a day, 96.4 percent live below US\$ 2 a day⁴. Poverty is not only widespread in rural areas but poverty is rural and yet this core problem has not been given the necessary attention it deserves. The majority of the people who live in rural areas are women and children and many are dependent on agriculture. However, a large sector of agriculture is still subsistence and women are dominating using poor technology. The poor in rural areas are in most cases not reflected in the macroeconomic interventions and because of this scenario poverty is growing. Society holds women responsible for all the key actions required to end hunger, family nutrition, health, education, and increasing family income. Yet women are still enslaved by customs and traditions which systematically deny those resources and freedom of action to carry out their responsibilities. The rural women operate mainly in the informal economy where the whole context for their lives and economic activities do not produce enough surpluses to lift their standard of living. As a consequence they lack the ability to generate incomes, to save, to start economic activities and to access credit from the formal sector is heavily restricted due to lack of collateral. The poor are traditionally disregarded as “un bankable” and “un creditworthy”

Therefore the problem of microfinance to enable the poor people to pull out of their poverty situation is critical. Although microfinance is a vital component in poverty alleviation, there is a general consensus among its proponents that it is not for everyone⁶. One wonders who these poor people are to benefit from the intervention. In order for microfinance to produce results, it requires the support of other factors, most importantly, entrepreneurial skills, proper functioning infrastructure like capital markets, financial services like insurance, and working institutions. Therefore Yunis's (1999) belief that he can eradicate poverty

using a simple model of microfinance has been put to question in the development debate

In the quest to promote poverty alleviation, donors are now investing in microfinance programmes. The Uganda Women's Finance Trust was originally funded by international aid organisations such as (WWB) Women's World Banking global net work. As a pioneer of microfinance, Grameen Bank which started in 1976 by Yunus has been a success story in Bangladesh. GB provides credit to the poorest of the poor without any collateral. At GB, credit is a cost effective weapon to fight poverty and it serves as a catalyst in the over all development of socio-economic conditions of the poor who have been kept outside the banking orbit on the ground that they are poor and hence not bankable. His hypothesis is, its not people who aren't credit-worthy. Its banks that aren't people-worthy has been tested and proved right

1.2 Statement of the problem

Micro finance as an economic development approach intended to benefit low- income earning people especially women. In Uganda, micro finance has spread across new market areas including rural areas where commercial banks have not reached. They are growing rapidly, some at a rate greater than 100% and stand at over 500 MF outlets. They are serving over 550, 000 active clients with outstanding loans of ug.sh.53 billion but are only reaching about 5.9% of the estimated potential market Duursma, (2001) their services are highly demanded by micro entrepreneurs.

Despite their importance and growth their role in poverty eradication is questionable as shown by a high drop out rate, a high delinquency rate that has even forced some micro-finance institutions to jail clients, poor financial management that is prone to risk, continued relevance on

donors and minimal operational efficiency below 100%. This therefore raises concern as to whether micro-finance institutions will fulfill their campaign, and even become sustainable so as to meet the future demands of their clients. Therefore there is need to role and relvance of there micro-finance institutions in poverty eradication campaign in rural areas.

1.3 Purpose of the study

The overall aim of the report was to explore the impact of microfinance intervention on rural poor women. Lately the role of financial services in the struggle against poverty has been given increased attention given the informal economy where the majority of poor women operate.

1.3.2 Specific objectives

- 1 To explore the impact microfinance programmes on the household welfare
- 2 To find out if microfinance programmes savings reduce vulnerability and risks of clients
- 3 To find out if microfinance promote empowerment of rural women
- 4 To find out under what circumstances can microfinance help the poor out of poverty

1.4 Research questions

- 1 What impact does microfinance programmes have on the household welfare?
- 2 Can microfinance programmes savings reduce vulnerability and risks of clients?
- 3 Can microfinance promote empowerment of rural women?
- 4 Under what circumstances can microfinance help the poor out of poverty?

1.5 scope of the study

The geographical scope of the study will be confined to Lefori sub-county in Moyo district. This area is located in the western part of Moyo along the Uganda-Sudan border, West-Nile in the Northern part of Uganda. The study will be limited to community members and some officials in the local Microfinance institutions. The study comprised of at least 60 members of the community and 10 Micro finance staff.

1.6 Significance of the study

This study will be of great importance both at the macro and micro level;

At the macro level, informed decisions in policy formulations and in the building of the institutional regulatory framework might be made basing on the findings from research.

At the macro level, a number of Microfinance institutions may adopt the recommendations put forth, and use the findings to address issues pertaining poverty eradication

The study will also open up areas for further research, for example the effect of growth on the sustainability of Microfinance institutions.

1.7 Limitations of the Study

Today, microfinance is becoming one of the most vibrant and successful sector in the fight against poverty in Uganda. However this study will neither focus on microfinance sector in Bolivia nor Bangladesh but instead will focus on the impact of microfinance on rural women in Uganda particularly those household clients in Moyo district in North Eastern Uganda. The non participating groups will be excluded in this study. The researcher will exclude also the control group method which compares a population that had benefited from microfinance scheme to another group which had not because of time constraint. The reason I choose to limit myself on rural women in Uganda because women are the most vulnerable and marginalized group in Ugandan society

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 Introduction

This chapter reviews literature as an account of the knowledge and ideas that have been established by accredited scholars and experts in the field of study. It is guided by the objectives of the study outlined in chapter one

2.1 The poverty concept

The definition of what is meant by poverty and how it is measured and who constitute the poor are fiercely contested issues. In the poverty debate, stands the question whether poverty is largely about material needs or whether or it is about a much broader set of needs that permit well-being.

According to Sida (2005), "Poverty has a multiple and complex causes. The poor are not just deprived of basic resources. They lack access to information that is vital to their lives and livelihoods, information about market prices for the goods they produce, about health, about the structure and services of public institutions, and about their rights. They lack political visibility and voice in the institutions and power relations that shape their lives. They lack access to knowledge, education and skills development that could improve their livelihoods. They often lack access to markets and institutions, both governmental and societal that could provide them with needed resources and services. They lack access to and information about income-earning opportunities"

Hulme and Mosley (1996:105) define poverty as not purely about material conditions. It also refers to other forms of deprivation, and the

effects of innovative financial services on those who suffer from social inferiority, powerlessness and isolation are considered.

According to Chambers (1983: 112) the poor are poor because they are poor. Their poverty conditions interlock like a web to trap people in their deprivation. Poverty is a strong determinant of the others. The causes of poverty are many and must be attacked from all fronts to save the poor from the poverty trap. Poverty contributes to physical weakness through lack of food, small bodies, malnutrition leading to low immune response to infections and inability to reach or pay for health services

2.3 Microfinance and poverty

The majority of the poor in Uganda especially women lack access to the basic financial services which are essential for them to manage their lives. The poor are excluded from the opportunities of financial services than the informal alternatives that are considered unsuitable. Microfinance is therefore considered as a vital tool break the vicious circle of poverty which is characterised by low incomes, low savings and low investment. According to Hulme et al (1996) most institutions regard low-income households as "too poor to save". In order to generate higher incomes, savings and more investment, there is need to inject capital in the form of microfinance. However capital is only one ingredient in the mix of factors necessary for a successful enterprise¹². Most importantly it requires entrepreneurial skills and efficient markets to reduce poverty

According to Ismawan (2000:4) the real idea of microfinance is to help the weakest member of civil society who in this case is the poor. However Roth (1997:6) has another view. He argues that microfinance programmes often treat the symptoms and not the causes of poverty. Poverty is frequently the result of powerlessness. The proponents of microfinance programmes as a panacea of poverty ignore the complex

matrix of power relations that circumscribe the capacities of the poor to run micro enterprises.

However Roth (1997) argues that credit is only one ingredient in the mix of factors necessary for a successful enterprise. He is critical of the microfinance evangelists who create a vision of the rural poor as a collection of budding entrepreneurs, waiting for salvation from credit agencies, which on receipt of credit, will develop successful micro enterprises and leave poverty forever. Their promotional activity gives rise to worrying specter of a return to a "blueprint", implicit in the new microfinance approach to development. To respond to a potential demand for a good or service, a rural micro-entrepreneur may need access to one or more of the following: transport, communications, power, water, storage facilities, a legal system for enforcing contracts and settling disputes. Apart from infrastructure, micro entrepreneurs need access to information about market trends and skills to run their macro enterprises. Roth cites Weber (1958) who argues that hard work, skills and enthusiasm are essential ingredients for an enterprise to be successful. Non-numerate people struggle to start enterprises by themselves as it is extremely difficult for them to keep track of the flows of income in their enterprise

2.4 To help the poor out of poverty

It is argued that stimulating economic growth, making markets work better for the poor and building their capacity is the key out of their poverty situation. There is need to change the whole context of the lives of the poor and economic activities which do not produce enough surplus to lift their standard of living. Some critics argue that the necessary infrastructure has been put in place in some areas for microfinance to trigger economic processes but very little success has been recorded



which makes the problem of poverty and the poor very tricky. (Ferrand, et al (2004)

Capital in terms of microfinance is just one factor which requires other factors access to markets, information, and training of any kind, business development skills and business networks and entrepreneurial skills. Indeed, microfinance is not a panacea to the problem of poverty but improved access to capital and other financial services are significant to the poor. The problem is that market failures weaken the effectiveness of microfinance (Copestake (2002)

According to Ferrand, et al (2004) he argues that functioning markets is critical for poverty alleviation. The danger is that it does not work effectively for the poor. Ferrand outlines three steps for the markets to work namely, understanding markets, focusing on factors that inhibit their improved performance and opportunities for their development, developing a vision of the future, a picture of how markets can work effectively, and acting to build markets, to make markets more effective and inclusive.

According to Copestake (2002) microfinance has a polarizing effect as there is discrimination in favour of richer clients, who benefit from better access to credit, and exclusion of poorer people. If one of the aims of microfinance is to assist the “poorest of the poor” the microfinance is not always the most appropriate intervention

2.5 Methodology of Microfinance

2.5.1 Group Lending

Group based lending is one of the most novel approaches of lending small amounts of money to a large number of clients who cannot offer collateral. The size of the group can vary, but most groups have between four to eight members. The group self-selects its members before

acquiring a loan. Loans are granted to selected member(s) of the group first and then to the rest of the members. Most MFIs require a percentage of the loan that is supposed to be saved in advance, which points out the ability to make regular payments and serve as collateral. Group members are jointly accountable for the repayment of each other's loans and usually meet weekly to collect repayments. To ensure repayment, peer pressure and joint liability works very well. The entire group will be disqualified and will not be eligible for further loans, even if one member of the group becomes a defaulter. The creditworthiness of the borrower is therefore determined by the members rather than by the MFI

2.5.2 Individual Lending

Unlike MFIs, there are very few conventional financial institutions which provide individual loans to low-income people because poorer clients are considered higher risk clients due to their lack of collateral, plus the labor-intensive nature of the credits and hence the lack of profitability of small-credits. BASIC BANK (Bangladesh), Bank Rakyat Indonesia (BRI) in Indonesia, ADEMI in the Dominican Republic and are some examples of successful lenders to poor clients. However, BRI does request collateral and a loan co-signer, while ADEMI and BASIC BANK will take the best collateral it can.

2.5.3 Credit Unions

Credit unions are the organizations that are formed on the basis of financial relation of savings and loans between its members. They accumulate savings from its members and provide short-term credit to the needed members. The demand for loans in general exceeds the supply of savings. In most rural areas credit unions are still the solitary source of deposit and credit services, besides the informal financial market.

2.5.4 Village Banking

Village banking is a kind of financial services model that assists poor communities to establish their own credit and saving associations, or village banks. Village bank provides non-collateralized loans to its members and a place to invest savings and promote social solidarity. The sponsoring agency provides loan for the village banks and village banks in turn provide individual loans to its members. Peer pressure and peer support among the members are considered as the bank guarantees of these loans, to ensure repayment where small working capital is repaid every four to six months by its borrowers. Borrowers start with a very small loan and gradually they establish loan ceiling. Loan sizes depend on the amount which borrower has saved. Member's savings are kept for the purpose of lending or investing to increase the resource base of the bank. Commercial standards are applied to determine interest rates and fee.

2.5.5 Self Help Groups/Associations

Rotating Savings and Credit Associations (ROSCAs) exist in several parts of the world but recognized under different names, like as Tontines and Susus. They are known to be female dominated organizations that save small amount of money and members can borrow from common pool on a rotating basis. These types of organizations or self help groups, have sometimes been used by MFI for group lending among the members.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter explains the methods that the researcher used to select the geographical areas, from which research will be carried out and methods of selection of respondents. It also explains the methods that will be used to collect process and analyze data.

3.1 Research design

The study used a case study as a research design. Given the duration of the study, the researcher feels that there was a deeper penetration of the problem if a case study was used. This is because a case study examined one area which is Lefori Sub- County.

3.2 Study population

The study was carried out in Lefori Sub- County. This is because Lefori Sub- County is densely populated and so the area is very vulnerable to poverty. This gave the study a broad coverage and made it representative enough.

3.3 Sample size and selection

The respondents were drawn from the community members especially women who have gone to some of the local Micro finance institutions, and Local Micro finance institutions officials shall also be included, as illustrated by the table 1 below;

Table: Categories of Sample

Categories of Respondents	Sample
MFI officials	10
Community members	50
Total	60

3.4 Sources of data and data collection methods

This study used both primary and secondary data. Primary data was collected using interview guides, which was given to Local Micro finance institutions officials. These were self administered since these respondents are all literate. For community members, focus group discussions were held using also an interview guides.

In carrying out research the researcher first got a release letter from the course administrators which he took to the organization under study. He then was given permission by the authority to access information from the organization in which he visited.

Document analysis was also done. Reports, training manual, news papers, and journals for the period under study were read and the required data collected from them.

3.5 Data processing and analysis

This involved three sets of activities which included editing, coding and frequency tabulations. Editing was done by looking through each of the field responses from interview guides and focus group discussions ascertaining that every applicable question has an answer and all errors eliminated for the completeness, accuracy and uniformity.

The researcher then proceeded on to coding the various responses given to particular questions that lack coding frames, he then established how many times each alternative response category was given an answer using tally marks which later was added up. Data was then presented in frequency tabulations rendering it ready for interpretation. Quotations and field notes made were also included.

CHAPTER FOUR

PRESENTATION INTERPRETATION AND DISCUSSION OF THE FINDINGS

4.0 Introduction

This chapter makes a presentation, interpretation and discussion of the field results. Results are presented in tables and in form of frequency counts and percentages.

4.1 Demographic Characteristics of Respondents

The researcher started briefly by giving a picture and the general characteristics of the poor women clients served by Uganda finance Trust. The household was defined as all members living in the house at the time of the interview.

Table: 4.1 shows the composition of women clients interviewed in the study

Marital status

Married	43	72%
Widow	8	13%
Single	5	8%
Failure rate	4	7%
Total	60	100%

Source: field data

Most of the clients of Uganda Finance Trust interviewed in the study are married women as shown in table 1.3 and the constitute 72% out of the total number of 60 clients. They are followed by the widowed women, followed by single women while 7% never revealed their marital status.

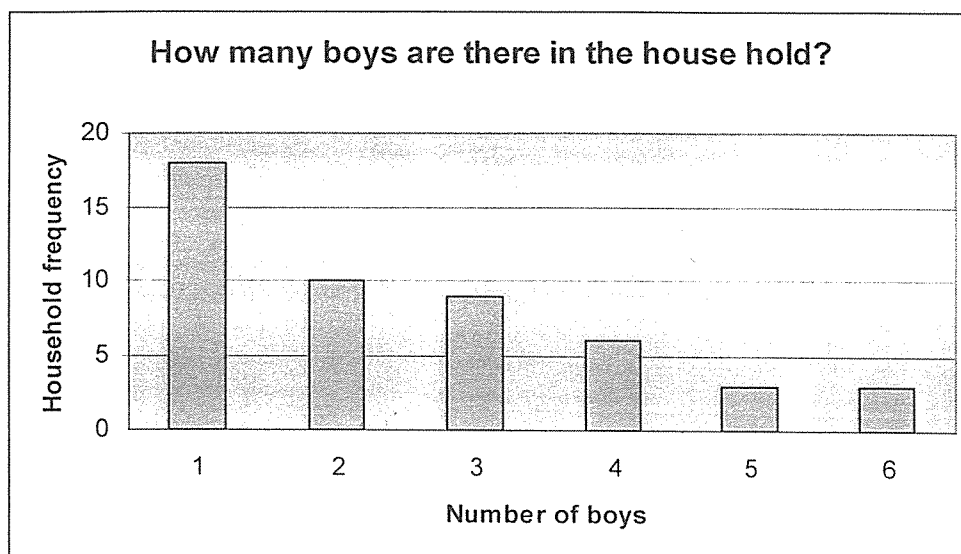
Table: 4.2 Accommodation and utilities

Owned	33	55%	Paraffin	22	37%
Rented	24	40%	Electricity	35	58%
Sharing	2	3%	Water con...	14	23%
Others	1	2%			
Total	60	100%			

Source: field data

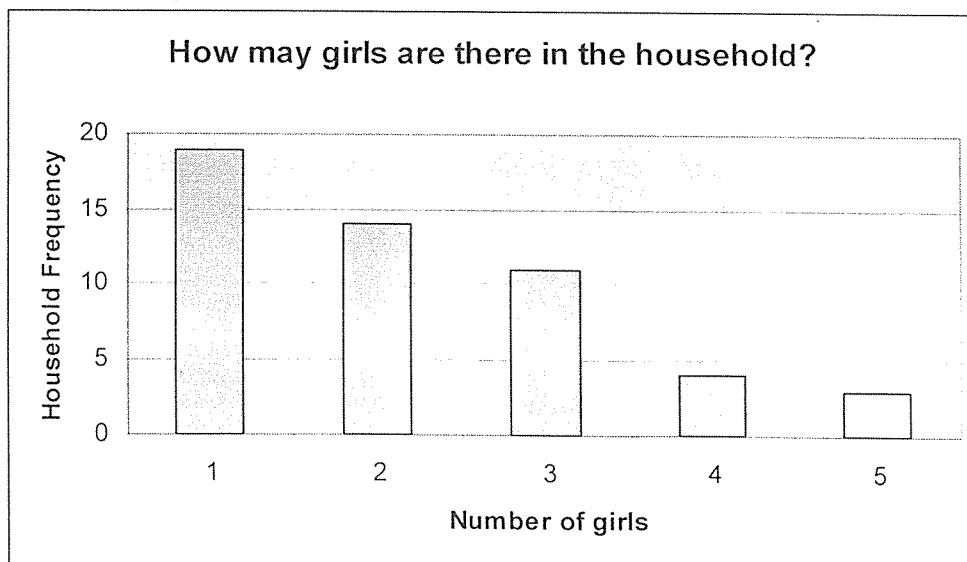
The majority of the clients interviewed own their houses (55%) as indicated in table 4.2 and even have electricity and water connection in their houses. While 40 % rent their accommodations, while the 3% are sharing and the 2% never revealed their accommodation status.

Chart 4.1: Number of boys in the household



A question was asked to the clients about how many boys are in the house hold and they responded as follows. In eighteen of the households interviewed there is one boy, while in ten households there are two boys, nine households there are three boys, six households there are four boys, three households there are five boys while in three house holds there are six boys.

Chart 4.2 girls in the household



The above chart explains the number of girls in the household as indicated in the household frequency. In nineteen households there is one girl each, two girls in fourteen households, three girls in eleven households, four girls in four households, and five girls in the last three households.

4.2 What is the impact of microfinance on household welfare?

The impact of the program has been manifested in education, health, nutrition, accommodation and in savings mobilisation. One of the components of the program is a requirement to save on a regular basis.

Table 4.2.1 Do you pay for your children's education

Response	Frequency	Percentage
Yes	50	80%
No	10	20%
Don't know		-
Total	60	100

Source: field data

Results from table 4.2.1 reflect that the majority of respondents could afford to pay for the children education.

Table 4.2.2: Do you take a good care of your health and nutrition

Response	Frequency	Percentage
Yes	45	75%
No	15	35%
Don't know		-
Total	60	100

Source: field data

The results from table 4.2.2 above indicate that the respondents after joining the microfinance institution could easily afford to take care of their good health and nutrition. Hence they were living a healthy life.

Table 4.2.2: Do you have a dissent accommodation

Response	Frequency	Percentage
Yes	45	75%
No	15	35%
Don't know		-
Total	60	100

Source: field data

It was also evident that the respondents were able to take care of their accommodation after having savings in the microfinance institutions.

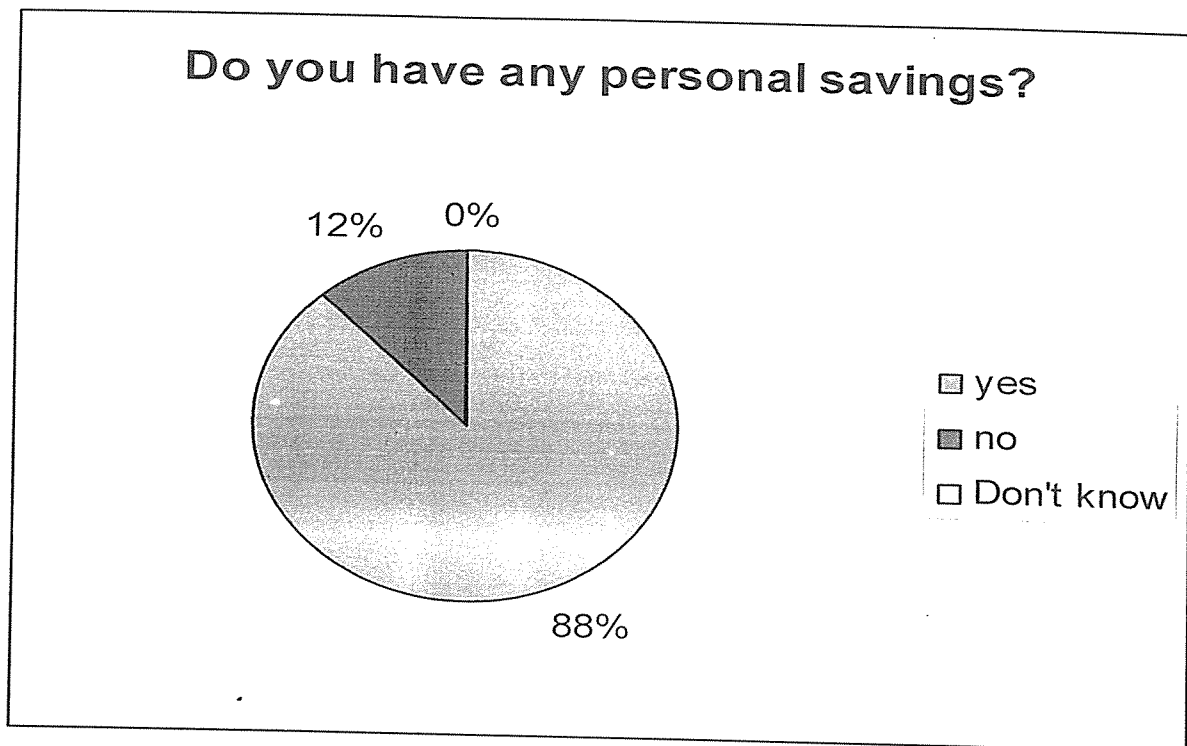
The clients were asked if they had personal savings excluding the forced loan guarantee. The table 4.3 and chart reflects that the majority of the clients (87%) responded to have personal savings while 12% said they had no savings. The loan guarantee savings is 15% of the loan amount partly contributes to savings. If a client get a loan of 250 000 Ushs (US\$ 137), will deposit a loan guarantee of 37 500 Ushs (21 US\$).

Table 4.3: Do you have personal savings

Response	Frequency	Percentage
Yes	52	88%
No	8	12%
Don't know		-
Total	60	100

Source: field data

Chart 4.3 Personal Savings



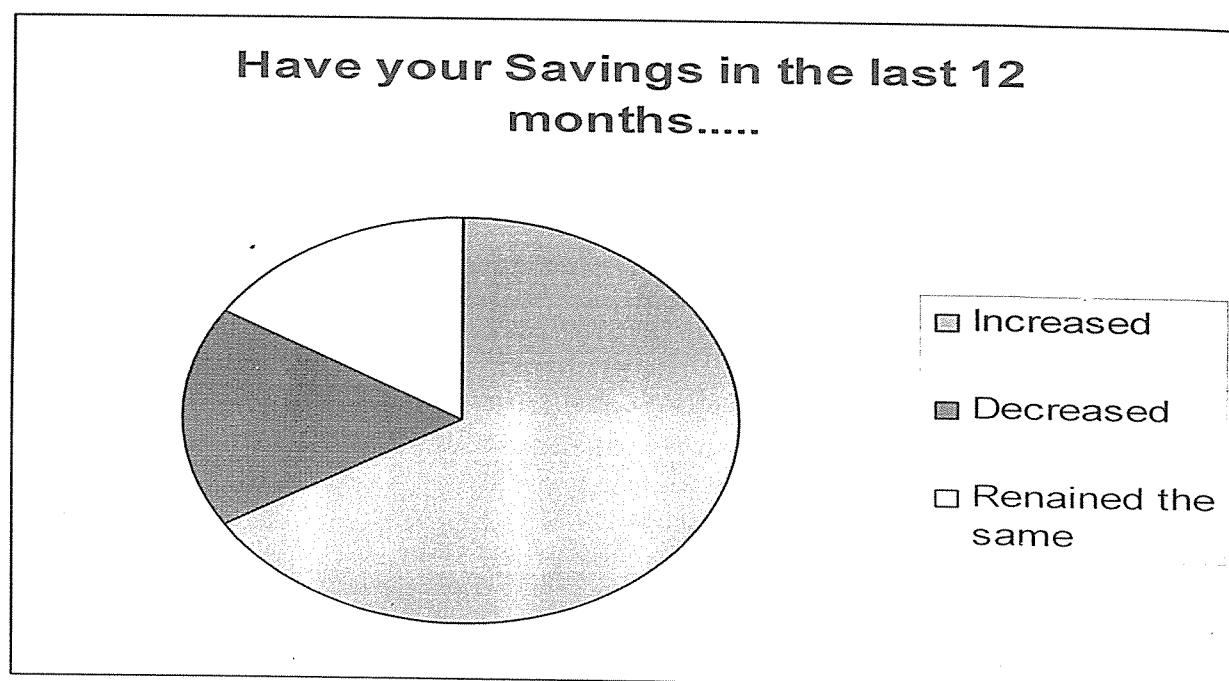
Again with regard to savings, the clients were asked whether their savings in the last 12 months had increased, decreased, remained the same and the response is demonstrated in the figure below which shows 66% having increased savings while 18% said it decreased and 16% said it remained constant. The loans acquired by clients are mainly short term loan and to avoid accumulated interest, the clients are encouraged to make regular savings and this partly explains the increment because they work hard. The main reason given as to why people save is to enable women in case of severe crisis and to cope up with the shocks; savings can provide protection against risks, used to acquire another microfinance cycle and also to expand the existing economic activities. However some clients prefer to save in physical assets such as land, TV, radio, sofa set, houses and other valuables after the obligatory loan guarantee savings.

Table 4.4: Savings in the last 12 months

Response	Frequency	Percentage
Increased	46	77%
Decreased	13	20%
Remained the same	1	3%
Total	60	100

Source: field data

Chart 4.4 Savings in the last 12 months



4.4 Income generation

The generation of income is another ingredient and the majority of the client's interviewed responded positively that they had registered 77% increment in incomes as shown in the figure below while 20% noted a decrease, 3% remained the same. The clients were asked if their incomes had increased, decreased, remain the same or any other; the majority responded that their incomes increased. Business profits are an important income source for all groups. Those who run big businesses

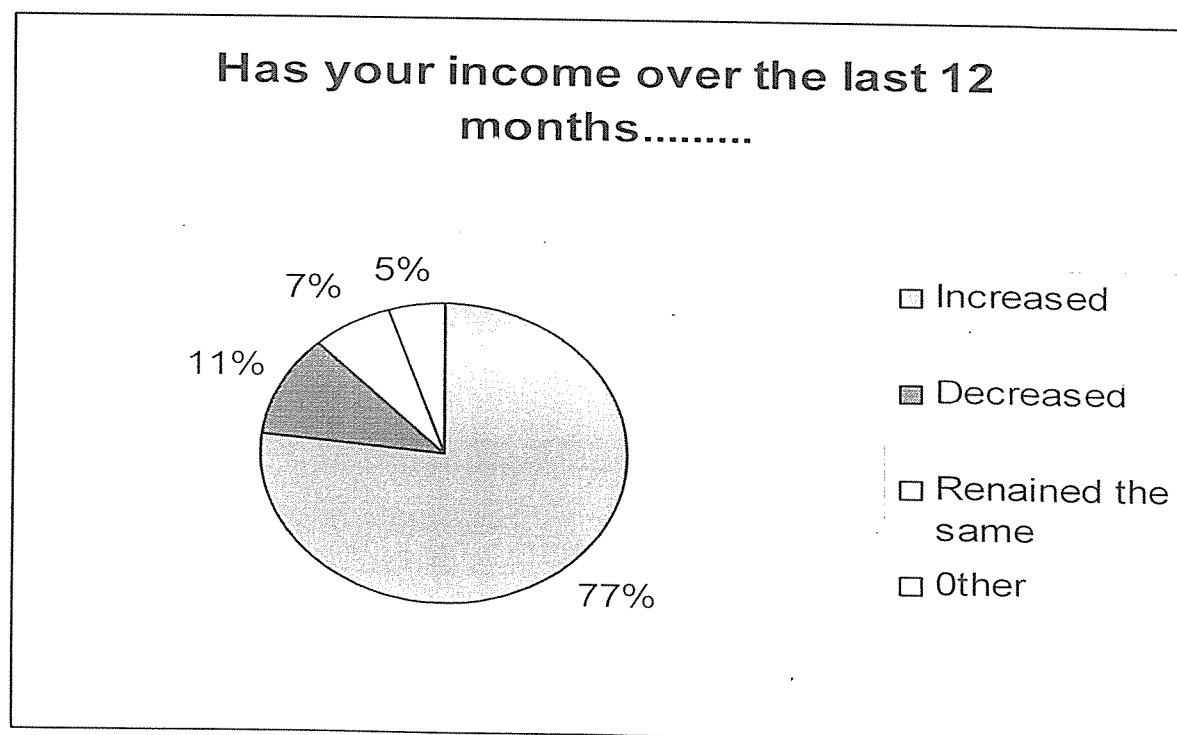
like dairy farming have higher incomes than for example women selling fish in the market.

Table 4.5: Income over the last 12 months

Response	Frequency	Percentage
Increased	46	77%
Decreased	7	11%
Remained the same	5	7%
Other	2	5%
Total	60	100

Source: field data

Chart 4.5 Income over the last 12 months



4.5 Education

There are different questions asked to the clients about their children's education. The first one sought to find out how many children are in the household who were in the school age (4- 17 years of age) and how many attended school both boys and girls. The reason I asked this question is because girls are usually discriminated against when it comes to education which is not usually the case with boys. The findings are that boys as well as girls attend school in almost in all the households attend school except a few. The reason given for children not attending school was simply that they refused probably because they lacked the motivation to go to school. Many of the clients interviewed have almost enrolled all their school-age children in school even if some clients credited the universal primary education having helped them. But all the same children under the Universal primary education system are not fully catered for in all ways so that the clients had to fill the gap. Many clients praised UWFT which has given them a push to cater for their children.

4.6 Health

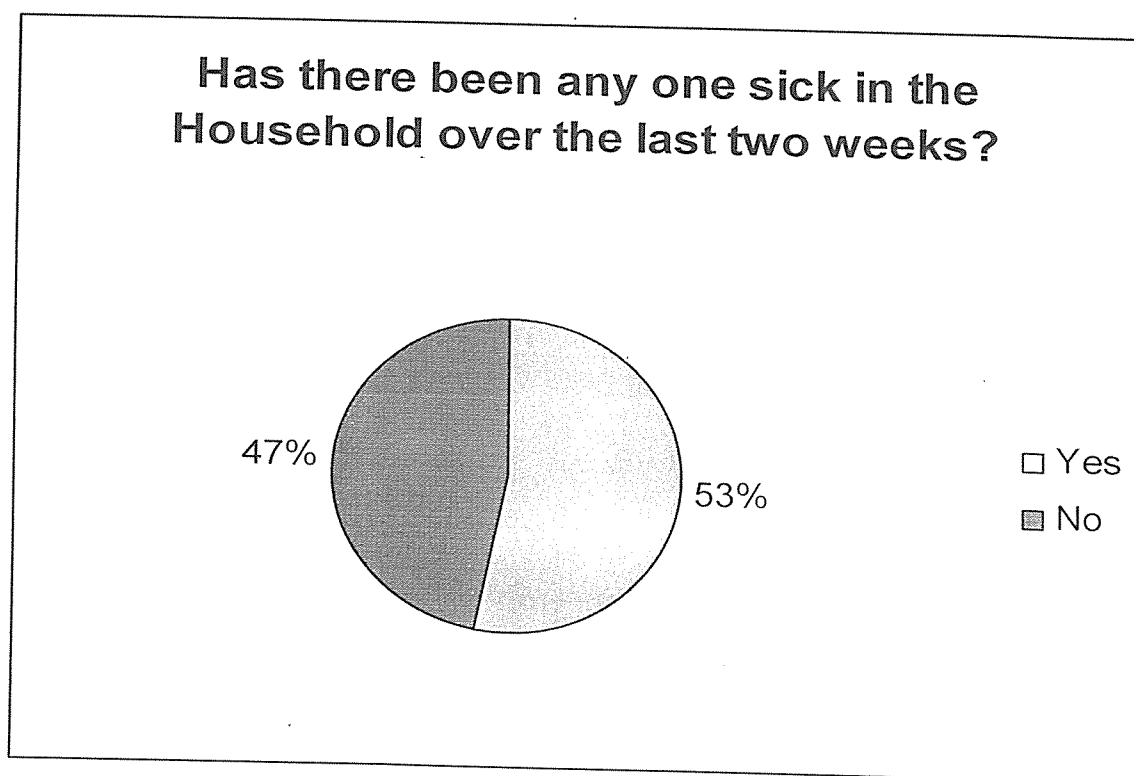
Health is an important ingredient for protecting the productivity of the household's effective use of the household resources. It is evident that most clients interviewed took household health as a critical issue for their continued well being. At least all the households had a sick person in the household in the last two weeks of the interview and the most prevalent illness in the household was malaria. This could have been because of the rainy season. All the clients could afford to visit health clinics and hospitals and also could afford to pay the medical expenses every time a member of the household could fall sick

Table 4.6: Sick in the Household

Response	Frequency	Percentage
Yes	32	53%
No	28	47%
Total	60	100%

Source: field data

Chart 4.7 Sick in the Household



A question was asked to the clients if the household had a sick person in the previous two weeks of the interview and 53% of the households responded that they had a sick person in the household and the majority mentioned malaria as a common sickness. This could have been due to the rain season. A question was asked to the clients if they can afford to pay their medical expenses. All the respondents answered 100% that they had the capacity to meet their medical expenses.

Table 4.7: Consumption Pattern

Matooke (Bananas)	20	33%
Posho	10	17
Cassava	10	17
Rice	5	8
Sweet potatoes	5	8
Maize	5	8
Yams	5	8
Total	60	100%

Source: field data

The clients reported improved diet after joining microfinance service as indicated in the consumption pattern table. Many responded that they could afford to eat fish, meat, vegetables, milk, bread and butter which was not possible before joining the programme.

4.7 Can microfinance promote empowerment of rural women?

Table 4.2.2: Can microfinance promote empowerment of rural women

Response	Frequency	Percentage
Yes	45	75%
No	15	35%
Don't know		-
Total	60	100

Source: field data

The women clients were asked whether participation in microfinance programmes has empowered them. The majority who answered to this question felt that their position in the family had been strengthened, had attained a real change in their lives and self-esteem when they compare themselves to that period before they joined microfinance. Many felt that they can look after their children and educate them, afford a nutritious diet to the household and are no longer dependents on their husbands. Some women said that with the income they get, have managed to buy a plot of land and build a house while others said that their voices are heard in the household, their contribution in terms of income, their involvement in the decision making process has increased. On a business level, several women have managed to set up their businesses and run them. As a consequence of this their leadership and business skills have been enhanced. Generally, access to microfinance resources tends to improve women's bargaining position within and outside the household.

Table4.8: Measuring Empowerment

Has your role in terms of income Contribution increased after MFIs?	Percentages %
Yes	87%
No	2%
Failure rate	11%
Total	100

Source: field data

Most respondents 87% said that their role of income contribution in the house increased after joining microfinance programmes.

4.8 Can microfinance savings reduce vulnerability and risks?

Response	Frequency	Percentage
Yes	45	75%
No	15	35%
Don't know		-
Total	60	100

Source: field data

Risks and Shocks are common features in any business undertaking. Therefore the poor households have to deal with this challenge. It is in this vein a question was asked to the clients how they respond to the risks and shocks and if they had faced any major unexpected challenge within the household in the last 12 months that led to a financial burden in the household.



Table 4.9: what did you do after being in a financial crisis?

Response	Frequency	Percentage
Used cash savings	43	71%
Borrowed from relatives	5	9%
Sold assets	3	5%
Failure rate	9	15%
Total	60	100%

Source: field data .

The clients affected by shocks of which 71% used their cash savings to deal with crises, 9% borrowed from relatives, 5% sold their assets, and 15% gave no answers.

What is interesting is that none of the clients mentioned having been helped by the obligatory insurance premium paid to Uganda Finance Trust. Another risk that clients mentioned having affected is when a member of the household falls sick for a long time especially with the problem of Aids pandemic. The social and economic costs involved are enormous. One client mentioned that after she had acquired her loan, her husband passed away and as a consequence used the money intended for business for burial expenses. This put her in trouble with UFT as she could not service the loan. As a result, she lost her collateral attached to the loan. Vulnerability focus on both the structural (exogenous factors like the impact of SAPs where clients have no control) and crisis factors related to negative impact facing the household and to deal with it is to increase the assets of the poor. The poorer households tend to use more of their savings to cope with risk and therefore able to reduce their vulnerability.

Table: 4.10: Strategies to cope with Risks and Shocks

(Total Clients=60)

Clients affected by Shocks	23	38%
Used Savings	20	33%
Borrowed	4	7%
Sold Assets	3	5%
Reduced expenditure	1	2%
Others(never answered)	9	15%
Total	60	100%

Source: field data

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the conclusions from the study and the recommendations made are presented.

5.2 Summary

Chapter one gives a background to the study and problem statement, three objectives and three research questions were given.

Chapter two is a review of related literature, and the literature was reviewed under four themes and linked to the problem under study.

Chapter three explains the method and procedures used in the study which included the research techniques and design, population and sample size; sampling method and procedure; sources and types of data collection methods; data collection instruments and procedures.

Chapter four is a presentation, interpretation and discussion of the field results. Hence data was analyzed, interpreted and discussed in line with the study objectives and research questions.

While linking to the existing literature, Results included demographic characteristics, frequency counts and percentages.

Chapter five presents the summary conclusions and recommendations to the study.

5.3 Conclusions

The aim of this thesis was to explore the impact of microfinance intervention on eradicating poverty in especially women and the circumstances under which microfinance can help the poor out of their poverty situation.

The first question asked in this study was: what impact does microfinance programmes have on the household welfare? According to research findings, it is apparent that the majority of women clients had registered increased incomes. It is these incomes that can help them to solve some problems of poverty like isolation, physical weaknesses and they can afford a good diet, can deal with vulnerability as they can save and now able to deal with crises, has the capacity to send their children to school and to pay for their health which is critical for their continued wellbeing and as a consequence break the poverty trap.

The second question was: Can microfinance programme savings reduce vulnerability and risks of clients? The findings reported that clients had increased incomes which enable them to save and to buy property. The savings enables clients to deal with severe crises and to cope up with the shocks and reduce vulnerability and bought property can be sold also to deal with the crises; savings can be used to acquire another microfinance cycle and also to start and expand the existing economic activities.

This leads to the third question: Can microfinance promote empowerment of rural women? The majority of women felt that their position in the family had been strengthened, set up businesses and run them, could occupy a political office at local levels and had attained a real change in their lives and self-esteem when they compare themselves to that period before the program. Many felt that they can look after their

children, educate them, afford a nutritious diet to the household and are no longer dependents on their husbands.

Finally, the fourth question: under what conditions can microfinance help the poor out of poverty? Microfinance hinges on a number of other conditions if it is to play a meaningful role. Microfinance is just only one factor and requires the support of other factors. These include women entrepreneurial skills in business management, and elementary book-keeping, efficient functioning of markets since they play an important role in the economy and rural development. There is need for access to markets for their local products and other infrastructure like good feeder roads to transport the merchandise and institutions for example to deal with legal matters to promote sustainable development and a successful microfinance. The network of financial institutions functions in an economy which mobilizes and allocates resources, co ordinate savings and investment which are long term growth and transformation. Markets in Uganda do not work well.

5.4 Recommendations

The poor people and how they are benefiting from microfinance services have proved tricky to measure and requires a deeper analysis. This study paints another picture than what the researcher expected when a division into different kinds of poor is made among others: the destitute, extreme poor, moderate poor and vulnerable non-poor.

There is need for more future research that must focus on a deeper understanding of poverty alleviation since microfinance is only treating the symptoms than attacking the real causes. The issue of women empowerment as a result of microfinance programmes also requires more research. Critics of microfinance have emphasised the view that MF alone is like a drop in the sea bearing in mind the pervasive degree of poverty levels mainly in rural Uganda. The researcher must acknowledge that Uganda is a rich country that requires vision and acumen to turn its resources into wealth in order to reduce poverty and the donor dependency syndrome.

The findings of this research should be taken up by implementers in order to prevent the problem of poverty in rural areas using micro finance schemes.

5.5 Areas of future research

1. Role of government in alleviating poverty
2. role of NGOs in alleviating poverty

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INTERVIEW SCHEDULE FOR THE LOCAL COMMUNITY

Put a (Tick) where appropriate

Identification

1.1 Sub-County _____

1.2 Parish _____

1.3 Village _____

Individual level: Basic Information

2.1 Your name (client) _____

2.2 Sex: _____

2.3 How old are you? _____

2.4 Marital status 1. Single/never married _____ 2 Married _____
3 Widowed _____ 4 Divorced/separated _____
5. Other (specify) _____

2.5 If currently married, do you stay with spouse?

YES _____

NO _____

2.6 If NO to 2.5,

Why? _____

2.7 Type of marriage

1 Monogamous _____ 2 Polygamous _____

3 other (specify) _____

2.7.1 When did you join microfinance programmes?

2.7.2 How did you know about microfinance?

2.7.3 When did you open an account with Uganda Women Finance?

House hold level: Basic information

3.1 Are you the head of the household?

YES) _____

NO _____

3.2 If No who is the head?

Husband ____ Father ____ Mother ____

Other (specify)

3.3 How many people in your household?

3.4 How many persons in your household are actively active (generating some income)?

Nobody _____

3.5 How many are dependents?

3.6 What is your status of accommodation?

Owned house _____ Rented _____

Sharing _____

Other (specify)

3.7.1 What are the walls made of?

3.7.2 What kind of roofing is the house made of?

Utilities:

3.7.3 What kind of fuel do you use for lighting? Paraffin _____

Electricity

3.7.4 Do you have water connection in your house?

3.7.5 Who is responsible for collecting water and firewood for the house hold?

3.8 Do you plan to build a house in the near future? (Answer if you don't have one)

YES _____ NO _____.

Individual Savings and Income

4.1 Do you have personal savings?

YES _____ No _____

Don't know _____

4.2 Have your savings in the last 12 months

Increased? _____ Decreased? _____

Remained the same? _____

4.3 Has your income in the last 12 months

Increased? _____ Decreased? _____

Remained the same _____

Other (specify)

Children education:

5.1 How many children in your household (4-17 years of age) are

Boys _____?

Girls _____

Total _____?

5.2 How many of these attend school?

Boys _____ Girls _____ Total _____

5.3 How many of your children are of school age but do not go to school?

5.4 Why are they not going to school?

5.5 Are you able to educate your children?

Health and medical services

6.1 In the last two weeks did you have any sick person in your household?

YES _____ NO _____

6.2 Where do you get treatment when a member of the household falls sick? _____

6.3 Do you afford to pay the medical expenses every time a member of the household falls sick?

YES _____ NO _____

6.4 If NO, what do you do?

6.5 What have been the prevalent illnesses in this household?

Children _____

Adults _____

Consumption pattern

7.1 What are the basic foods that form your household diet?

7 Consumption pattern

7.1 What are the basic foods that form your household diet?

Land assets:

9.1 Have you bought yourself a piece of land? YES _____ NO _____

9.2 Is it Residential? _____ or Commercial?

9.3 Where?

9.4 What do you intend to do with it?

Coping with shocks

10.1 Have you had any major unexpected event within your household in the last

12 months that leads to an increased financial burden for your household?

YES _____ NO _____

10.2 How long did this period last? No. of months _____ don't know _____

10.3 How did you respond to the shocks? Used my savings _____

Borrowed _____ sold my household assets _____

Reduced my expenditure _____ any other (specify) _____

Women empowerment

11.1 Has your role in terms of income contribution in the household after joining microfinance programmes increased?

YES _____ NO _____

If YES how?

11.2 Does your role in decision making and your position in the family increased after joining microfinance?

YES _____ NO _____

12. In your view has Uganda Finance Trust helped you?

YES _____ No _____

Thank you very much

